

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 192



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

Metropolitan Manila and Cebu, have been, and continue to be, the choice areas for investors. With its progressive infrastructure, modern utilities, including power, water and telecommunications, and of course, abundant supply of highly technical and skilled manpower, there is no need for enticements for capitalists to locate in said two areas.

As a result thereof, progress and development in the country have been confined to these two main areas.

In the early 90's special economic zones were established with the main objective of promoting the countryside as alternative areas of investments. It was to spur the development, through industrialization, of the far flung areas and rural areas in the provinces. It was to uplift the welfare of the rural folks and at the same time to decongest and arrest the cramming of the people to the cities.

Thus, when ecozones were established in the provinces, a variety of incentives was offered to prospective locators. Fiscal incentives were given such as tax holidays, tax exemptions, duty free importations and exportation of goods produced in the zones. On the other hand, non fiscal incentives that were granted, included, among others, permit free project expansion and product diversification, off-shore, local and international banking facilities, freedom from national import policy restrictions, liberal allowance of expatriate employment, and the disallowance of the formation of labor unions and/or strikes. More important, the enterprises conducted business in new, secured and protected industrial areas, with the necessary infrastructure, buildings, power, telecommunications, gas, and water facilities.

Lately however, in direct contravention to the said objective of countryside development, ecozones are being established even in the cities. Individual buildings, and not land facilities, situated in the middle of commercial centers, are being accredited as ecozones. Enterprises, long doing the same nature of business in the metropolis, are still being qualified as a locator of ecozones, thereby entitling them to the incentives provided.

Thus, the metropolitan areas continue to capture investments and enjoy progress. On the other hand, however, the countryside wallows in poverty.

There is a need to create new and more ecozones in the provinces. And one such province in dire need of an ecozone is the Province of Bohol.

Under this measure, a special economic zone is sought to be established in Bohol, particularly in the Municipality of Jagna.

Jagna is a bustling port town in the eastern coast of Bohol. This municipality was first settled by immigrants from Loboc who transformed the wide valley into rice paddies. It became a rather prosperous community.

Jagna is the location of one of the busiest seaports in Bohol. The Jagna Seaport is considered as the gateway portal to Mindanao. It was once the main hub of maritime activities in Bohol. However, due to the upgrading of other ports of Bohol, the volume of passengers dwindled. Lately however, the Jagna Port was expanded. It is now part of the Strong Republic Nautical Highway (SRNH) system conceptualized by the government to interconnect by land and sea the island provinces of the country through RORO, cargo vessels, ferry boats, and fast crafts.

Because of its bustling port, Jagna is suitable to become the industrial center of the province. It is ready to become the catalyst of the development of this province, which economy is mostly anchored on tourism.

The Bohol Ecozone in Jagna shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas. It shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments. It would generate linkage industries and employment opportunities for the people of the Province of Bohol.

It is in this view that the immediate passage of the bill is earnestly sought.



ARTHUR C. YAP
Representative

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 192

INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

AN ACT
ESTABLISHING THE BOHOL SPECIAL ECONOMIC ZONE IN
THE PROVINCE OF BOHOL, CREATING FOR THE PURPOSE
THE BOHOL SPECIAL ECONOMIC ZONE AUTHORITY,
APPROPRIATING FUNDS THEREFOR AND FOR OTHER
PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled.

1 **SECTION 1. Short Title.** — This Act shall be known as the "Bohol Special
2 Economic Zone Act of 2013".

3 **SECTION 2. Declaration of Policy.** — It is hereby declared the policy of the
4 State to actively encourage, promote, induce and accelerate the sound and balanced
5 industrial, economic and social development of the country in order to provide jobs to the
6 people, especially those in rural areas, increase their productivity and their individual and
7 family income, and thereby improve the level and quality of their living conditions
8 through the establishment, among others, of special economic zones in suitable and
9 strategic locations in the country and through measures that shall effectively attract
10 legitimate and productive foreign investments.

11 **SECTION 3. Creation of the Bohol Special Economic Zone.** — In pursuit of
12 the foregoing declared policy and subject to the concurrence of the concerned local
13 government units (LGUs) of Bohol affected by the zone, there is hereby established a
14 special economic zone, hereinafter referred to as the Bohol Ecozone. The Bohol Ecozone

1 shall cover the entire area embraced by Barangays _____, _____ and _____,
2 all in the Municipality of Jagna. The specific metes and bounds of the Bohol Ecozone
3 shall be more particularly described and defined as follows:

4 INSERT GEOGRAPHICAL DESCRIPTION HERE

5 **SECTION 4. Governing Principles.** — The Bohol Special Economic Zone
6 shall be managed and operated by the Bohol Special Economic Zone Authority,
7 hereinafter referred to as the BEZA, created under Section 10 of this Act, under the
8 following principles:

9 (a) Within the framework and limitations of the Constitution and applicable
10 provisions of the Local Government Code, the Bohol Ecozone shall be developed into
11 and operated as a decentralized, self-reliant and self-sustaining industrial,
12 commercial/trading, agro-industrial, tourist, banking, financial and investment center
13 with suitable residential areas.

14 (b) The Bohol Ecozone shall be provided with transportation,
15 telecommunications and other facilities needed to attract legitimate and productive
16 investments, generate linkage industries and employment opportunities for the people of
17 the Province of Bohol.

18 (c) The Bohol Ecozone may establish mutually beneficial economic relations
19 with other entities or enterprises within the country or, subject to the administrative
20 guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone
21 Authority (PEZA) and/or the Department of Trade and Industry (DTI), with foreign
22 entities or enterprises.

23 (d) Foreign citizens and companies owned by non Filipinos in whatever
24 proportion may set up enterprises in the Bohol Ecozone, either by themselves or in joint
25 venture with Filipinos in any sector of industry, international trade and commerce within
26 the Bohol Ecozone.

27 (e) The areas comprising the Bohol Ecozone may be expanded or reduced
28 when necessary. For this purpose, the BEZA, in consultation with the LGUs, shall have
29 the power to acquire either by purchase, negotiation or condemnation proceedings, any

private land within or adjacent to the Bohol Ecozone for the following purposes: (a) consolidation of lands for Bohol Ecozone development; (2) acquisition of right of way to the Bohol Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Bohol Ecozone.

(f) Goods manufactured by a Bohol Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the BEZA, together with the PEZA, the Bureau of Customs and the DTI. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally.

(g) The national government shall maintain its ability to coordinate with the Bohol Ecozone and the local government units.

SECTION 5. Incentives to Registered Enterprises. — The Bohol Special Economic Zone Authority (BEZA) may administer the following incentives to the registered enterprises located therein to the extent of the activity/project:

(A) Income Tax Holiday (ITH). — Registered enterprises shall be entitled to an income tax holiday from the start of their commercial operations to the extent of their activity under the following categories:

Category A — Registered domestic enterprise located in highly developed areas, as determined by the Board of Investments (BOI), shall be entitled to a four-year income tax holiday.

Category B — Registered domestic enterprise on the following shall be entitled to a six-year income tax holiday:

- (1) Located in less developed areas as defined by the BOI; or
- (2) Producing/rendering new products/services or having strong backward or forward linkages. EHSTDA

Category C — Registered export enterprise shall be entitled to a six-year income tax holiday: Provided, however, That if the export enterprise complies with the following:

1 (1) large capital investments or sizeable employment generation; or (2) use high level of
2 technology; or (3) located outside Metro Manila, it shall be entitled to an eight-year
3 income tax holiday.

4 Registered enterprises embarking on new investments that are listed in the current
5 Investment Priorities Plan (IPP) shall be entitled to incentives provided herein pertaining
6 to the new investments and subject to such terms and conditions as the BOI may
7 determine.

8 For this purpose, a registered enterprise shall be defined as any person, natural or
9 juridical, licensed to do business in the Philippines and registered with the Bohol Special
10 Economic Zone Authority (BEZA) to transact business within the Bohol Special
11 Economic Zone. A registered export enterprise shall be defined as any registered
12 enterprise engaged directly or indirectly in the production, manufacture or trade of
13 products or services which earns at least seventy percent (70%) of its normal operating
14 revenues from the sale of its products or services abroad for foreign currency. A
15 registered domestic enterprise, meanwhile, shall be defined as any registered enterprise
16 not falling under the definition of a registered export enterprise.

17 Additional investments in the project shall be entitled to the income tax holidays
18 corresponding to such investments as may be determined by the BOI. Additional income
19 tax holiday may be granted for as long as the investment is made on the same project:
20 Provided, That the project is listed in the IPP at the same time the additional investment
21 in the project is made: Provided, further, That the entitlement period for additional
22 investments shall not exceed three times the period provided under this subsection:
23 Provided, however, That the total ITH period for an export enterprise availing of an
24 eight-year ITH shall not exceed twenty (20) years. Any unused incentives shall therefore
25 be deemed forfeited if not used during the incentive period.

26 Enterprises registered with the BEZA are required to share in the special
27 development fund of the BOI for investment promotion projects of the government
28 equivalent to one percent (1%) of the ITH granted for every application.

1 The Bureau of Internal Revenue (BIR) shall require a registered enterprise
2 availing of ITH or Net Operating Loss Carryover (NOLCO) to secure a certificate of
3 eligibility from the BEZA before submitting its income tax return (ITR) with the BEZA
4 for validation.

5 Failure to secure certification and/or to file the ITH or NOLCO availment for
6 validation by the BEZA within forty-five (45) days from the last day of each statutory
7 filing date for ITR shall cause the forfeiture of the availment for the taxable period.

8 (B) Net Operating Loss Carryover (NOLCO). — Net operating loss of the
9 business or enterprise during the first three years from the start of commercial operations
10 which have not been previously offset as deduction from gross income shall be carried
11 over as a deduction from gross income for the next five consecutive years immediately
12 following the year of such loss: Provided, however, That operating loss resulting from
13 availment of incentives provided in this Act shall not be entitled to NOLCO.

14 Registered enterprises availing of the ITH as herein provided shall not be entitled
15 to avail of the NOLCO.

16 (C) Imposition of a tax rate of five percent (5%) on Gross Income Earned
17 (GIE). — Except for real property tax on land, no local and national taxes as prescribed
18 under Republic Act No. 8424, also known as "The National Internal Revenue Code of
19 1997, as Amended" such as income tax, excise tax and franchise taxes, shall be imposed
20 on registered enterprises operating within the Bohol Ecozone. In lieu thereof, five percent
21 (5%) of the gross income earned shall be paid as follows:

22 (a) Three percent (3%) to the national government; and

23 (b) Two percent (2%) shall be remitted by the business establishments to the
24 treasurer's office of the municipality or city where the enterprise is located.

25 All persons and service establishments in the Bohol Ecozone shall be subject to
26 national and local taxes under the National Internal Revenue Code of 1997, as amended,
27 and the Local Government Code.

28 (D) Accelerated Depreciation. — Accelerated depreciation of plant, machinery
29 and equipment that are reasonably needed and actually used for the production and

1 transport of goods and services may be allowed using a rate not exceeding twice the rate
2 which would have been used had the annual allowance been computed in accordance
3 with the rules and regulations prescribed by the Secretary of Finance and the provisions
4 of the National Internal Revenue Code of 1997, as amended.

5 (E) Capital Equipment Incentives. — (1) Importations of capital equipment,
6 spare parts, tools and dye, or those required for pollution abatement and control, cleaner
7 production and waste reduction including consignment thereof by registered enterprises
8 upon the effectivity of this law, shall be exempted to the extent of one hundred percent
9 (100%) of the taxes and customs duties: Provided, That the imported items thereof shall
10 be used exclusively by the registered enterprise in its registered activity: Provided,
11 further, That the importation of machinery and equipment and accompanying parts shall
12 comply with the following conditions:

13 (i) They are not manufactured domestically in sufficient quantity, of
14 comparable quality and at reasonable prices;

15 (ii) They are reasonably needed and will be used exclusively by the registered
16 enterprise in the manufacture of its products, unless prior approval of the BEZA is
17 secured for the part time utilization of said equipment in a nonregistered activity to
18 maximize usage thereof or the proportionate taxes and duties are paid on a specific
19 equipment and machinery being permanently used for nonregistered activities; and

20 (iii) Approval of the BEZA was obtained by the registered enterprise for the
21 importation of such machinery, equipment and spare parts.

22 Approval of the BEZA must be secured before any sale, transfer or disposition of
23 the imported capital equipment, machinery or spare parts is made: Provided, That if such
24 sale, transfer or disposition is made within the first five years from date of importation,
25 any of the following conditions must be present:

26 (1) the same is made to another enterprise enjoying tax and duty exemption on
27 imported capital equipment;

28 (2) the same is made to another enterprise, upon the payment of any taxes and
29 duties on the net book value of the capital equipment to be sold;

1 (3) the exportation of the capital equipment, machinery, spare parts or source
2 documents or those required for pollution abatement and control; or

3 (4) proven technical obsolescence of the said equipment, machinery or spare
4 parts.

5 When the aforementioned sale, transfer or disposition is made under any of the
6 conditions provided for in the foregoing paragraphs other than paragraph (2) herein, the
7 registered firm shall not pay the taxes and duties waived on such items: Provided, further,
8 That if the registered enterprises sell, transfer or dispose the aforementioned imported
9 items without prior approval within five years from the date of importation, the registered
10 enterprise and the vendee, transferee or assignee shall be solidarily liable to pay twice the
11 amount of the tax and duty exemption given it: Provided, finally, That even if the sale,
12 transfer or disposition of the capital equipment, machinery or spare parts is approved
13 after five years from the date of importation, the registered enterprises are still liable to
14 pay the taxes and duties based on the net book value of the capital equipment, machinery
15 or spare parts if any of the registration terms and conditions has been violated. Otherwise,
16 they shall no longer be subject to the payment of the taxes and duties waived thereon.

17 (2) The purchase of machinery, capital equipment, raw materials, supplies,
18 parts and semi-finished products to be used in the fabrication of machinery and capital
19 equipment by a registered export-oriented enterprise from a domestic manufacturer shall
20 be subject to zero percent (0%) value-added tax.

21 The registered export-oriented enterprise shall be granted a tax credit equivalent
22 to the amount of duties that would have been waived on the machinery, capital
23 equipment, raw materials, supplies, parts and semi-finished products used in the
24 fabrication of machinery and capital equipment, had these items been imported, upon its
25 submission to the Department of Finance (DOF) of the bill of materials evidencing the
26 transaction value of such and other pertinent documents, for verification and proper
27 endorsement.

28 The availment by a registered export enterprise of the incentive stated under the
29 immediately preceding two paragraphs shall be subject to the following conditions: (a)

1 that said capital equipment, machinery and spare parts will be used exclusively by the
2 registered enterprise in its registered activity; (b) that the capital equipment or machinery
3 where the raw materials, supplies, parts and semi-finished products were used would
4 have qualified for tax and duty-free importation; and (c) that the approval of the BEZA is
5 obtained by the registered enterprise. If the registered enterprise sells, transfers or
6 disposes of these machineries, capital equipment and spare parts, the provision in the
7 preceding paragraphs for such disposition shall apply.

8 This incentive shall be deemed waived if application for tax credit under this
9 subsection was not filed within one year from the date of delivery. ICHcaD

10 (F) The importation of source documents by information technology-
11 registered enterprises shall be eligible for tax and duty free importation.

12 (G) Raw Materials Incentives. — Every registered export-oriented enterprise
13 shall enjoy a tax credit equivalent to the internal revenue taxes and customs duties paid
14 on the supplies, raw materials and semi-manufactured products provided the same are not
15 sufficient in quantity, quality or are not competitively priced in the Philippines and which
16 are used in the manufacture, processing or production of its export products forming part
17 thereof, exported directly and indirectly by the registered export-oriented enterprise,
18 based on the actual taxes and duties paid for such materials/supplies/semi-manufactured
19 products by the registered enterprise.

20 This incentive shall be deemed waived if application for tax credit under this
21 subsection was not filed within one year from the date of exportation of the final product.

22 (H) Incentives on Breeding Stocks and Genetic Materials. — Importation of
23 breeding stocks and genetic materials within ten (10) years from the date of registration
24 of commercial operation of the enterprise shall be exempt from all taxes and duties:
25 Provided, That such breeding stocks and genetic materials are reasonably needed in the
26 registered activity, and approved by the BEZA.

27 The availment of the incentives by the registered enterprise shall be subject to the
28 following: (a) that said breeding stocks and genetic materials would have been qualified
29 for tax and duty-free importation under the preceding paragraph; (b) that the breeding

1 stocks and genetic materials are reasonably needed in the registered activity; (c) that
2 approval of the BEZA has been obtained by the registered enterprise; and (d) that the
3 purchase is made within ten (10) years from the date of registration of commercial
4 operation of the registered enterprise.

5 This incentive shall be deemed waived if application for tax credit under this
6 subsection is not filed within one year from the date of delivery.

7 (I) Exemption from Wharfage Dues. — The provisions of law to the contrary
8 notwithstanding, exports by a registered enterprise shall be exempted from wharfage
9 dues.

10 (J) Deferred Imposition of the Minimum Corporate Income Tax. — The
11 Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of
12 the end of the taxable year shall be imposed when the MCIT is greater than the income
13 tax computed under the NIRC of 1997, as amended, for the taxable year: Provided,
14 however, That said MCIT shall be imposed only after the enterprise's entitlement period
15 to the income tax-based incentives has expired.

16 (K) Tax Treatment of Merchandise in the Bohol Ecozone. — (a) Domestic
17 merchandise sent from the Bohol Ecozone to areas outside the said ecozone shall,
18 whether or not combined with or made part of other articles likewise of local origin or
19 manufactured in the Philippines while in the export processing zone, be subject to
20 internal revenue laws of the Philippines as domestic goods sold, transferred or disposed
21 of for local consumption.

22 (b) Merchandise sent from the Bohol Ecozone to areas outside the said
23 ecozone shall, whether or not combined with or made part of other articles while in the
24 zone, be subject to rules and regulations governing imported merchandise. The duties and
25 taxes shall be based on the value of said imported materials (except when the final
26 product is exempt).

27 (c) Articles produced or manufactured in the Bohol Ecozone and exported
28 therefrom shall, on subsequent importation into the customs territory, be subject to the
29 import laws applicable to like articles manufactured in a foreign country.

1 (d) Unless the contrary is shown, merchandise taken out of the Bohol Ecozone
2 shall be considered for tax purposes to have been sent to customs territory.

3 (L) Tax Treatment of Raw Materials and Capital Equipment in the Bohol
4 Ecozone. — Importations of raw materials and capital equipment shall be treated as in
5 the Omnibus Investments Code.

6 (M) Importations of raw materials and capital equipment shall be treated as in
7 the Omnibus Investments Code. Registered export-oriented enterprise shall have access
8 to the utilization of the bonded warehousing system in accordance with the rules and
9 regulations of the Bureau of Customs. DTAHEC

10 (N) Employment of Foreign Nationals. — Subject to the provisions of Section
11 29 of Commonwealth Act No. 613, as amended, a registered enterprise may employ
12 foreign nationals in supervisory or technical positions for a period not exceeding ten (10)
13 years from its registration: Provided, That when the majority of the capital stock of a
14 registered enterprise is owned by foreign investors, the positions of the president,
15 treasurer and general manager or their equivalents may be retained by foreign nationals
16 beyond the period set forth herein and such officer is the owner or a stockholder owning
17 at least ten percent (10%) of the outstanding capital stock of the registered enterprise and
18 he remains the owner or maintains his stockholdings therein.

19 Foreign nationals under employment contract within the purview of this incentive,
20 their spouses and unmarried children under twenty-one (21) years of age, who are not
21 excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be permitted
22 to enter and reside in the Philippines during the period of employment of such foreign
23 nationals. They shall be entitled to a multiple entry visa, valid for a period of three years,
24 and shall be allowed to enter and leave the Philippines without further documentary
25 requirements other than valid passports or other travel documents in the nature of
26 passports. The validity of the multiple entry visa shall be extendible yearly.

27 The said foreign nationals admitted under this provision, as well as their
28 respective spouses and dependents shall be exempt from: (a) obtaining alien certificates
29 of registration and immigration clearance certificates; and (b) securing the Alien

1 Employment Permit (AEP) and all types of clearances, permits, licenses or their
2 equivalents required by any government department or agency.

3 **SECTION 6. Incentive to Investors.** — Any foreign national covered under
4 subsection (M) of Section 5 of this Act, who invests an amount of US \$150,000.00, either
5 in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa:
6 Provided, That,

7 (1) He is at least eighteen (18) years of age;

8 (2) He has not been convicted of a crime involving moral turpitude;

9 (3) He is not afflicted with any loathsome, dangerous or contagious disease;
10 and

11 (4) He has not been institutionalized for any mental disorder or disability:

12 Provided, further, That in securing the investor's visa, the alien-applicant shall be
13 entitled to the same privileges provided for under subsection (M), Section 5 hereof.

14 As a holder of investor's visa, an alien shall be entitled to reside in the Philippines
15 while his investment subsists. For this purpose, he should submit an annual report, in the
16 form duly prescribed for the purpose, to prove that he has maintained his investment in
17 the country. Should said alien withdraw his investments from the Philippines, then the
18 investor's visa issued to him shall automatically expire.

19 **SECTION 7. Administration, Implementation and Monitoring of Incentives.**
20 — The BEZA shall be responsible for the administration and implementation of the
21 incentives granted to its respective registered enterprises: Provided, That any incentive
22 administration policy adopted by the BOI for registered enterprises shall be uniformly
23 applied by the BEZA.

24 The following are the duties and responsibilities of the BEZA in the
25 administration of incentives:

26 (A) To adopt consistent procedures of administering incentives in accordance
27 with the guidelines established by the BOI;

1 (B) To adopt and implement systems and procedures affecting trade and
2 customs policies in accordance with the requirements established by the Department of
3 Finance (DOF) and the BOI;

4 (C) To submit information on registered enterprises to the DOF and the BOI
5 as required by any of these agencies to ascertain consistency of investment policies and
6 incentives, including their implementation as provided in paragraph (A) herein, and to
7 ensure proper implementation of systems and procedures affecting trade and customs
8 policies as provided in paragraph (B) herein; and

9 (D) To perform all other duties and responsibilities as may be required by the
10 President of the Philippines.

11 For proper monitoring, the BOI shall create a single database of all incentives
12 provided by all incentives granting agencies, including the BEZA, and all information
13 thereto. Double entry accounting shall be done by the BOI in recording all incentives
14 granted by the government for transparency purposes.

15 **SECTION 8. Extension of Period of Availment.** — The availment period of
16 the incentives provided herein may be extended by the BEZA, in the event that the
17 registered enterprise suffers operational force majeure or any event equivalent thereto,
18 impairing its viability: Provided, That the availment period shall not exceed the duration
19 of the said force majeure or equivalent event.

20 **SECTION 9. Duration of Incentives.** — Enterprises registered with the BEZA
21 may enjoy ITH or NOLCO granted by the latter prior to the availment of the five percent
22 (5%) GIE.

23 Fiscal incentives under this Act shall be terminated after a cumulative period of
24 twenty (20) years from the date of registration or start of commercial operation,
25 whichever is applicable, except that it could be extended with regard to industries deemed
26 indispensable to national development.

27 The industries exempted from this provision shall be recommended by the BOI,
28 with the concurrence of the Secretaries of the Departments of Finance and Trade and
29 Industry.

1 **SECTION 10. Creation of the Bohol Special Economic Zone**

2 **Authority.** — There is hereby created a body corporate to be known as the Bohol Special
3 Economic Zone Authority, hereinafter referred to as the BEZA, which shall manage and
4 operate, in accordance with the provisions of this Act, the Bohol Special Economic Zone.
5 This corporate franchise shall expire in fifty (50) years counted from the first day of the
6 fifth (5th) calendar year after the effectivity of this Act, unless otherwise extended by
7 Congress. It shall be organized within one hundred eighty (180) days after the effectivity
8 of this Act.

9 **SECTION 11. Principal Office of the BEZA.** — The Bohol Special
10 Economic Zone Authority shall maintain its principal office in the Municipality of Jagna,
11 but it may establish branches within the Philippines as may be necessary for the proper
12 conduct of its business.

13 **SECTION 12. Powers and Functions of the Bohol Special Economic**
14 **Zone Authority (BEZA).** — The Bohol Special Economic Zone Authority shall have the
15 following powers and functions:

16 (a) To operate, administer, manage and develop the Bohol Ecozone according
17 to the principles and provisions set forth in this Act;

18 (b) To register, regulate and supervise the enterprises in the Bohol Ecozone in
19 an efficient and decentralized manner, subject to existing laws;

20 (c) To coordinate with local government units and exercise general
21 supervision over the development plans, activities and operations of the Bohol Ecozone;

22 (d) To regulate and undertake the establishment, operation and maintenance
23 of utilities, other services and infrastructure in the Bohol Ecozone such as but not limited
24 to heat, light and power, water supply, telecommunications, transport, toll roads and
25 bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges
26 and prices thereof;

27 (e) To construct, acquire, own, lease, operate and maintain on its own or
28 through contracts, franchise, licenses, bulk purchase from the private sector or permits
29 under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer

1 Law, as amended by R.A. No. 7718), or joint venture, adequate facilities and
2 infrastructures required or needed for the operation and development of the Bohol
3 Ecozone, in coordination with appropriate national and local government authorities and
4 in conformity with applicable laws thereon;

5 (f) To operate on its own, either directly or through a license to other tourism-
6 related activities, including games, amusements, recreational and sports facilities;

7 (g) Subject to the approval of the President of the Philippines and the
8 Monetary Board of the Bangko Sentral ng Pilipinas and upon the recommendation of the
9 Department of Finance, to raise or borrow adequate and necessary funds from local or
10 foreign sources to finance its projects and programs under this Act, and for that purpose
11 to issue bonds, promissory notes, and other forms of securities, and to secure the same by
12 a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property
13 or assets;

14 (h) To protect, preserve, maintain and develop the virgin forests, beaches,
15 coral and coral reefs and maintain ecological balance within the Bohol Ecozone;

16 (i) To create, operate and/or contract to operate such functional units of
17 offices of the BEZA as it may deem necessary;

18 (j) To adopt, alter and use a corporate seal; make contracts, leases, own, or
19 otherwise dispose of personal or real property; sue and be sued; and otherwise carry out
20 its functions and duties as provided for in this Act; HCEISc

21 (k) To issue certificates of origin for products manufactured or processed in
22 the Bohol Ecozone in accordance with prevailing rules of origin, and the pertinent
23 regulations of the PEZA, the DTI and/or the Department of Finance (DOF);

24 (l) To issue working visas renewable every two (2) years to foreign
25 executives and foreign technicians with highly specialized skills which no Filipinos
26 possesses, as certified by the Department of Labor and Employment;

27 (m) To report to the Bureau of Immigration the names of the foreigners who
28 have been granted permanent resident status and working visas within thirty (30) days
29 after issuance of such grant;

1 (n) To exercise such powers as may be essential, necessary or incidental to the
2 powers granted to it hereunder as well as those that shall enable it to carry out, implement
3 and accomplish the purposes, objectives and policies of this Act; and

4 (o) To issue rules and regulations consistent with the provisions of this Act as
5 may be necessary to accomplish and implement the purposes, objectives and policies
6 provided herein.

7 **SECTION 13. Banking Rules and Regulations.** — Existing laws and
8 rules/regulations of the Bangko Sentral ng Pilipinas (BSP) shall apply to banks and
9 financial institutions to be established in the Bohol Ecozone, such as those governing
10 foreign exchange and other concurrent account transactions (trade and non-trade), local
11 and foreign borrowings, foreign investments, establishment and operation of local and
12 foreign banks, foreign currency deposit units, offshore banking units and other financial
13 institutions under the supervision of the BSP.

14 **SECTION 14. Remittance of Earnings.** — In the case of foreign investments, a
15 registered enterprise in the BEZA shall have the right to remit earnings from the
16 investment in the currency in which the investment was originally made and at the
17 exchange rate prevailing at the time of remittance, subject to the provisions of Section 74
18 of Republic Act No. 265, as amended.

19 **SECTION 15. Board of Directors of the Bohol Special Economic Zone**
20 **Authority.** — The powers of the Bohol Special Economic Zone Authority shall be vested
21 in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall
22 be composed of the following:

23 (a) The Chairman who shall, at the same time be the administrator of the
24 BEZA;

25 (b) A Vice Chairman who shall come from among the members of the Board;

26 (c) Members consisting of:

27 (1) The Governor of the Province of Bohol;

28 (2) The Congressional Representative of the district covering the site of the
29 Bohol Ecozone;

- (4) One representative from the domestic investors;
- (5) One representative from the foreign investors; and
- (6) Two representatives from the workers working in the Bohol Ecozone.

The Governor, the Congressional Representative and the mayor of the Municipality of Jagna, Province of Bohol shall serve as ex officio members of the Board, whose term in the Board corresponds to their terms as elected officials.

The Chairman and the members of the Board, except the ex officio members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner separated from service due to death, voluntary resignation or removal for cause. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

Except for the representatives of the business and labor sectors, no person shall be appointed by the President of the Philippines as a member of the Board unless he is a Filipino citizen, of good moral character, of proven probity and integrity, and a degree-holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

The members of the Board shall each receive per diem at a rate to be determined by the Department of Budget and Management in accordance with existing rules and regulations: Provided, however, That the total per diem collected each month shall not exceed the equivalent per diem for four (4) meetings. Unless and until the President of the Philippines has fixed a higher per diem for the members of the Board, such per diem shall not be more than Ten thousand pesos (P10,000.00) for every Board meeting.

SECTION 16. Powers and Duties of the Chairman-Administrator. — The Chairman-Administrator shall have the following powers and duties:

- (a) To direct and manage the affairs of the BEZA in accordance with the policies of the Board;

(b) To establish the internal organization of the BEZA under such conditions that the Board may prescribe;

(c) To submit an annual budget and necessary supplemental budget to the Board for its approval;

(d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;

(e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the Bohol Ecozone;

(f) To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the Bohol Ecozone; and

(g) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

SECTION 17. Organization and Personnel. — The board of directors of the BEZA shall provide for an organization and staff of its officers and employees. Upon recommendation of the Chairman-Administrator, the Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: Provided, That the Board shall have exclusive and final authority to promote, transfer, assign or reassign officers of the BEZA, any provision of existing law to the contrary notwithstanding: Provided, further, That the Chairman-Administrator may carry out removal of such officers and employees.

The officers and employees of the BEZA, including all members of the Board, shall not engage directly or indirectly in partisan activities nor take part in any election, except to vote.

No officer or employee of the BEZA, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

SECTION 18. Ipso Facto Clause. — Sections 30-41 of Republic Act No. 7916, shall ipso facto apply to the Bohol Special Economic Zone.

1 **SECTION 19. Capitalization.** — The Bohol Special Economic Zone Authority
2 shall have an authorized capital stock of one billion (1,000,000,000) no par shares with a
3 minimum issue of Ten pesos (P10.00) each, the majority shares of which shall be
4 subscribed and paid for by the National Government and the local government units
5 (LGUs) embracing the Bohol Special Economic Zone. The board of directors of the
6 BEZA may, with the written concurrence of the Secretary of Finance, sell shares,
7 representing not more than forty per centum (40%) of the capital stock of the BEZA to
8 the general public under such policy as the Board and the Secretary of Finance may
9 determine. The National Government and the LGUs shall, in no case, own less than sixty
10 per centum (60%) of the total issued and outstanding capital of the Bohol Special
11 Economic Zone Authority.

12 The amount necessary to subscribe and pay for the shares of the national
13 government to the capital stock of the BEZA shall be included in the annual General
14 Appropriations Act. For LGUs, the funds shall be taken from their internal revenue
15 allotment and other local funds.

16 **SECTION 20. Supervision.** — The Bohol Special Economic Zone shall be under
17 the direct control and supervision of the Philippine Economic Zone Authority (PEZA) for
18 purposes of policy direction and coordination.

19 **SECTION 21. Relationship with the Regional Development Council.** — The
20 Bohol Special Economic Zone Authority shall determine the development goals for the
21 Bohol Ecozone within the framework of national development plans, policies and goals.
22 The Administrator shall, upon approval by the Board, submit the Bohol Ecozone plans,
23 programs and projects to the Regional Development Council for inclusion and inputs to
24 the overall regional development plan.

25 **SECTION 22. Relationship with Local Government Units.** — Except as herein
26 provided, the local government units comprising the Bohol Special Economic Zone shall
27 retain their basic autonomy and identity. The Barangays of _____, _____ and
28 _____, all in the Municipality of Jagna shall operate and function in accordance with
29 the Local Government Code of 1991. In case of any conflict between the BEZA and the

1 Province of Bohol on matters affecting the Bohol Ecozone other than defense and
2 security matters, the decision of the BEZA shall prevail.

3 **SECTION 23. Interpretation/Construction.** — The powers, authorities and
4 functions that are vested in the BEZA are intended to decentralize governmental
5 functions and authority and promote an efficient and effective working relationship
6 between the Bohol Ecozone, the national government, and the local government units.

7 **SECTION 24. Auditing.** — The Commission on Audit shall appoint a
8 representative who shall be a full time auditor of the BEZA and assign such number of
9 personnel as may be necessary to assist said representative in the performance of his/her
10 duties. The salaries and emoluments of the assigned auditor and personnel shall be in
11 accordance with pertinent laws, rules and regulations.

12 **SECTION 25. Separability Clause.** — If any provision of this Act shall be held
13 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
14 force and effect.

15 **SECTION 26. Repealing Clause.** — All laws, executive orders and issuances, or
16 any part thereof, which are inconsistent herewith are hereby repealed or amended
17 accordingly.

18 **SECTION 27. Effectivity Clause.** — This Act shall take effect fifteen (15) days
19 after its publication in at least two (2) national newspapers of general circulation or in the
20 Official Gazette, whichever comes earlier.

APPROVED.